



December 12, 2005

Mr. Darrell G. Patterson, President  
Electrical Workers Local 866  
4848 Oliver Court  
Kansas City, Kansas 66106

Dear Mr. Patterson:

This office has recently completed an audit of Electrical Workers, IBEW, Local 866 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you, Treasurer Don Philbeck and Financial Secretary Larry Barnes on December 5, 2005, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained

The following record keeping deficiencies were revealed during the audit of Local 866's 2003-2004 records:

1. Officer Expenses

Union officers failed to retain adequate documentation for some reimbursed expenses, and some lodging expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt does not contain the date, amount, business purpose and if it was a meal, who ate and where, it is not sufficiently descriptive. A note can be written on the receipt providing the missing information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements. This requirement of the LMRDA Section 436 should be made known to all officers to ensure Local 866 complies with the law.

2. Financial Report at Members Meeting

Local 866's minutes were found to be lacking specific authorization for expenditures. In the members meeting minutes the treasurer's report only gives a total for bills; there is no specific breakdown as to what expenses make up the total amount. The record should provide specific expenses approved and voted on for payment by the members. This cannot be done if the expenses are not broken out and the amounts listed separately. LMRDA Section 436 requires that records have sufficient detail so that the basic information and data may be verified, explained or clarified and checked for accuracy and completeness.

3. Deposit Records

No deposit records were maintained by Local 866 other than bank statements. Although the employer sends an itemized statement with the dues check off each month, the check amounts could not be followed through each bank account. Union receipt records must include an adequate identification of each receipt of money. The record should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source. LMRDA Section 436 requires that records have sufficient detail so that the basic information and data may be verified, explained or clarified and checked for accuracy and completeness.

4. Timely Deposits

Holding receipt checks for long periods of time before depositing them into the bank account is considered poor financial practice. The financial secretary receives a monthly dues check issued by the employer, but does not deposit it in a timely manner. Most bank deposit amounts were for more than a single month's dues amount. In addition to the untimely depositing of receipts, the last receipts for the audit year were not transferred to the treasurer's account until the next fiscal year; therefore they were not reported on the LM-3 Report for the year in which they were received by the union. LMRDA Section 436 requires an adequate and timely record be maintained to report accurately and completely in the union's LM Report for the fiscal year all receipts received in that fiscal year.

Willfulness was not perceived to be an element of the aforementioned violations; therefore, no additional enforcement action will be taken provided that Local 866 maintains adequate records and documentation in the future.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 866 for fiscal year ending June 30, 2004, failed to meet the standards of acceptability.

The following reporting deficiencies items were identified during the audit of Local 866's 2003-2004 records:

1. Reporting All Officers

The names of some officers who held office during the year were not reported in item 24 of the LM-3 Report because they did not receive any compensation. The names of all persons who held the prescribed offices under your constitution and bylaws during the year must be reported in item 24 regardless of whether or not they received any payments from the union.

2. Filing Updated Constitution and Bylaws

LMRDA section 201(a) requires that unions submit a copy of their current constitution and bylaws with its LM report when changes were made during the reporting period (other than rates of dues and fees). Local 866 amended its constitution and bylaws in 2002, but a copy of the constitution and bylaws was not in the Office of Labor-Management Standards disclosure file. By your

voluntary compliance, Office of Labor-Management Standards has now received two copies of Local 866's constitution and bylaws dated 1992. In the future when changes are made to the constitution and bylaws, other than rates of dues and fees, follow the LM-3 online instructions for Item 21 at: [http://www.dol.gov/esa/reqs/compliance/olms/LM-3\\_Instructions\\_AR.pdf](http://www.dol.gov/esa/reqs/compliance/olms/LM-3_Instructions_AR.pdf)

3. Accurate Receipts Reporting

Local 866 maintains two checking accounts. As previously discussed, a large deposit was not made into the second account until the next audit year causing inaccuracy in total receipts of the union for the audit year 2003-2004. During the exit interview it was confirmed that those receipts were not reported on the LM-3 filed by Local 866 for 2004.

Local 866 will not be required to file an amended LM-3 Report for 2004 to correct the deficient items, but as agreed, your union will properly amend its report for 2005 with this agency. The amended report should be submitted to this office as soon as possible, but no later than January 5, 2006. Please contact me at (816) 502-0287 with any questions or concerns in completing this process.

Willfulness was not perceived to be an element of the aforementioned violations, therefore no additional enforcement action will be taken provided that Local 866 amends its 2005 LM-3 Report.

I want to extend my personal appreciation to you and your staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please call.

Sincerely,

Dennis L. Eckert  
District Director

By:

*FLC*  
*FLC*  
*FLC*  
Investigator

cc Mr. Don Philbeck, Treasurer  
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Mr. Larry Barnes, Financial Secretary  
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